



***Carolyn Edmonds,
Metropolitan King County Councilmember
District One***

Dear Partners in North County,

The Future is Here. The theme for this economic summit was carefully chosen. In the last 12 years, all five North County cities have undergone enormous change, either incorporating or doubling in size through annexations. Each city is developing its own distinctive character, yet all five share important ties. Now is the time to position North County cities as an economic force, to appeal to businesses and people to live, play and invest here.

Businesses, non-profits, educational institutions and governments must be active partners to effectively drive economic growth. I hope this study can be a starting point for all stakeholders to formulate a joint framework for the future. Now is the time to create the vision and begin to actively promote ourselves both locally and regionally.

The five municipalities of Bothell, Kenmore, Lake Forest Park, Shoreline and Woodinville have partnered with local businesses, non-profits and educational institutions to facilitate this study. We are on our way to making North County smarter, quicker and more decisive in this competitive market. By using the data from this study, we can combine existing local strategies and expand them into one comprehensive North County strategy.

I want to thank *Forward Shoreline's* Chairman, Jeff Lewis, for his collaboration on this project. Jeff's support, leadership and strategic advice were invaluable.

Community assets attract talented people and capital investments. Effective infrastructure, excellent schools, community open space and parks, and cultural attractions all have a very direct impact on quality of life and therefore drive the economy and our ability to be competitive. As we move forward in our next steps, we need to define what features are necessary to keep North County a great place to live and work for generations to come.

The Future is Here today. It's time to get on the map as a regional player in the Greater Puget Sound Area.

With Best Regards,

Carolyn Edmonds
Metropolitan King County Councilmember,
District One



Jeff Lewis,
Forward Shoreline Chairman

Dear North King County Citizens and Employers:

On behalf of my fellow volunteers in *Forward Shoreline*, I wish to acknowledge what a pleasure it has been to serve as project managers for the North King County Economic Summit. The CEO Survey and Summit accomplishes two things: *it opens eyes and opens avenues*.

The data has opened eyes to the breadth of opportunities in North King County. There are opportunities for business growth and development. There are opportunities for expanded communication and interaction between business, government and education. There is an opportunity for the opinion leaders of North King County to assert themselves in discussions about the economic future of the Puget Sound Region.

The North King County Summit has also opened wide avenues for further cooperation among the five cities. With respect to certain issues, we realize the benefit of thinking of ourselves as one unit instead of five. Transportation along the 522 corridor seems like one such issue for further collaboration. There are others. The avenue is now available for the five cities to continue to talk about economic development priorities and whether we can help each other in meaningful ways in the years ahead.

I wish to especially thank Metropolitan King County Councilmember Carolyn Edmonds for her leadership on this project. For the first time ever the five cities of North King County have come together to identify their strengths and understand their weaknesses. Her vision has started something great. I also want to acknowledge the fine work of Dave Endicott, of Endicott Consulting Group Inc. His public affairs and organizational skills are remarkable. Hebert Research is also to be thanked for their contribution of excellent research and creative thinking skills. The cities of Bothell, Kenmore, Lake Forest Park, Shoreline and Woodinville Mayors, City Council members and staff are to be thanked for supporting Councilmember Edmond's vision. Finally, our sponsors are to be thanked for their generosity in assisting the County, and Cities in funding this project.

The theme of this Summit is "The Future is Here." Whether your area of interest is world wide, regional or in one of the cities of the five North King County Cities, your future is here in North King County. Thank you for joining us today and in joining us as we assimilate what we've learned and identify our next steps.

If you would like to be included in future meeting notifications please email david@davidendicott.us.

Sincerely,

Jeffrey P. Lewis
Chairman, Forward Shoreline and
President and CEO, Shoreline Bank

North King County Cities Economic Summit Executive Summary March 2005

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Elected Officials

City of Bothell

18305 101st Ave NE
Bothell, WA. 98011
425-486-3256

City Council

Patrick Ewing, Mayor
Mike Johnson, Deputy Mayor
Tim Tobin
Andrea Perry
Jeff Merrill
Mark Lamb
Sandy Guinn
Bob Stowe, City Manager (425-486-3256)

City of Lake Forest Park

17425 Ballinger Way NE
Lake Forest Park, WA 981055
206-368-5440

City Council

David Hutchinson, Mayor
Carolyn Armanini
Mary Jane Goss
Nate Herzog
Alan Kiest
Roger Olstad
Ed Sterner
Dwight Thompson
Karen Haines, City Administrator (206-368-5440)

City of Kenmore

6700 NE 181st St.
Kenmore, WA 98028
425-398-8900

City Council

Mayor, Steven Colwell
David Baker, Deputy Mayor
Jack Crawford
John Hendrickson
Bob Hensel
Glenn Rogers
Marcia Schwendiman
Stephen Anderson, City Manager (425-398-8900 x.227)

City of Shoreline

17544 Midvale Ave. N.
Shoreline, WA 98133
206-546-1700

City Council

Ron Hansen, Mayor
Scott Jepson, Deputy Mayor
John Chang
Rich Gustafson
Bob Ransom
Maggie Fimia
Paul Grace
Steve Burkett, City Manager (206-546-1700)

Woodinville

17301 - 133rd Ave NE
Woodinville, WA 98072
Phone: (425) 489-2700
Fax: (425) 489-2705

City Council

Don Brocha, Mayor
Kathy VonWald, Deputy Mayor
Chuck Price
Michael Huddleston
Scott Hageman
Robert Miller
Gina Leonard
Pete Rose, City Manager (425-489-2700)

North King County Businesses Speak About Economic Development

Throughout North King County, business leaders and citizens have been discussing what they think their city should do next to launch economic development. The following is a sample of quotes from members of the community:

“I’m not sure that our city understands that economic development is not solely about recruitment of new businesses, but that it’s also about retaining and growing existing businesses. Sometimes our company feels forgotten or that our input is not valued...”

Kevin Reeve, Carter Subaru
Shoreline

“We’ve been here for 16 years and the things that would help our business the most would be bringing in a larger mix of retail business. Even more than more retailers we need to be accessible to our customers. We need transportation fixes and we need a parking structure.”

YeeMan Lee, VSP Jewelry Design Gallery
Lake Forest Park

“Strengthen what we already have here with the wonderful relationship between the Third Place Commons, Third Place Books, the Library and all of the small businesses in the neighborhood. That means making the business district an even more attractive place for people to come explore, discover and spend the afternoon.”

Colleen Brazil, King County Library
Lake Forest Park

“What would help my business and other Bothell businesses for small retail shops is to launch a “shop local” campaign.”

Leeann Tesorieri, Country Village
Bothell

“Making the downtown more accessible and less congested would be the place to start.”

Mark Day, Italianissimo Ristorante
Woodinville

“Expand the mix of retailers to create a critical mass of retail buying opportunities.”

Fred Jossy, REMAX Northwest Realtors
Kenmore

“Funding for transportation in Canyon Park and Interstate 405. Road capacity is a big issue, and in general, the regulations are constraining development...the CAO is a killer. Use scientific evidence. The urban area needs to have different standards than the rural area.”

Roger Belanich, Business Property Development
Bothell

Research Objectives

This Executive Summary summarizes the key findings of economic research that was conducted by Hebert Research on behalf of the North King County cities of Bothell, Shoreline, Kenmore, Lake Forest Park and Woodinville. The research summarized here has two components: Volume 1 includes the results of a survey of 301 North King County employers that was designed to measure employer confidence and other factors which may impact the local economy. The findings of that survey are described in detail in the recently published report, *North King County Cities Employer Survey Results*. The study also included an in-depth economic profile of the five North King County cities which is described in *North King County Cities: Volume 2: Economic Data and Analysis*.

Objectives

The following research objectives were addressed in the research:

- 1) Develop a predictive and prescriptive economic theory that explains current conditions in North King County and examines points of convergence and divergence between the five cities and the region as a whole.
- 2) Develop an employer profile of the region.
- 3) Describe the employment base of the region and the value of this base in development efforts.
- 4) Determine the demographics of the region.
- 5) Identify the ability of the region to compete economically with others within the Puget Sound area and elsewhere.
- 6) Analyze the major industries that are represented in North King County:
 - A. Finance and service sectors within the region
 - B. Manufacturing, including high-tech and bio-tech products
 - C. Wholesale and Retail Sectors
 - D. Construction
- 7) Describe the infrastructure and public sector resources within North King County that serve the business community.

Employer Profile of Region

The employers of Bothell, Kenmore, Woodinville, Lake Forest Park and Shoreline share many commonalities. The convergence of specific attributes within the regions illustrates the fact that while there are some important distinctions among cities, North King County should be viewed as a region and cohesive economic community. The following points illustrate the key attributes that are common to employers in the five cities.

1) The Majority Of North King County Employers Are Small

Most employers within the region are small. A majority, 87.6%, have fewer than 20 employees and only 5.18% of employers within the region have more than 50 employees. Over half, 54.8%, generate less than \$250,000 in annual revenues while less than a quarter, 24%, generate more than \$1,000,000 per year.

2) The Typical North King County Employer Is In Services Or Finance

There are a total of 1,845 services establishments in North King County, out of 4,960 total employers (37.2%). Another 427 establishments are in the finance/insurance/real estate category (8.6%). Another 725 are in retail (14.6%), 311 operate in the tourism sector (6.3%) and 251 are involved in manufacturing (5.1%). The North King County area generally follows the Puget Sound area in this distribution.

3) The Majority Of North King County Employers Are Well Established

Nearly three quarters, 72%, of employers in North King County are more than five years old and over a quarter, 26.2%, have been established for 20 or more years. This contributes to the long-term sustainability of the employer base.

4) A Majority Of North King County Employers Are Growing

Revenue growth is a key economic indicator. It is important to note that 63.4% of North King County employers increased revenues during 2004. A total of 68.8% of North King County employers expect to increase their total revenues in 2005.

5) North King County Employers Are Optimistic

Anticipated rises in revenues, increases in number of employees and willingness to increase spending on short and long-term capital expenditures all point to the optimism of employers in North King County.

6) A Majority Of North King County Owners and Managers Live In The Region

Due to a high quality of life and available housing choices, nearly eighty percent (79.5%) of the leaders of local employers live within the North King County area. There is a strong orthogonal relationship between the residence of the employer leadership and their commitment to the local community. This preference for local residence stands in contrast to other economic regions such as Seattle and South King County, where many of the leaders choose to live elsewhere.

Critical Employment Statistics

The appeal of affordable housing, the quality of the local primary, secondary and higher education, and family-oriented communities help to make the North King County region a strong employment base. Employees that were raised in this area tend to be well-educated. The strong local educational system, including the Northshore and Shoreline primary and secondary public schools, as well as convenient local higher education classes and programs is clearly an asset for the retention and attraction of new employees.

The employment forecast indicates that 1,912 jobs were created during 2004, 2,651 jobs will be created in 2005 and another 2,827 jobs will be created in 2006. This represents a positive growth rate and points to a generally healthy business outlook. Moreover, two-thirds (65.6%) of all North King County employers who were surveyed expect to give their current employees a raise in the coming year.

Number of Jobs by Major Industry Category

Business Description	North County	King County	Seattle MSA	Statewide
<i>All Industries</i>	60,986	1,175,442	1,453,922	3,063,758
Manufacturing, except wineries	6,457	121,877	165,602	283,292
Construction	4,605	49,145	69,110	157,204
Retail, except restaurants	8,157	142,048	181,234	398,324
Tourism-related (incl. restaurants & hotels)	5,584	103,344	125,500	285,437
Services, except hotels	20,999	448,432	528,004	1,081,483
Finance/insurance	3,215	80,784	97,370	174,981
Wholesale trade	5,182	57,890	69,437	166,315
Transportation/communications/utilities	1,483	75,956	85,903	160,746
Agriculture & Mining	781	9,059	13,402	52,760
Non-profit/membership organizations	764	18,756	22,659	51,142
Public Sector	2,208	44,484	69,652	207,574

The North King County share of regional employment varies considerably by type of industry. For example, while the North County cities have 1.99% of statewide jobs overall, they represent 2.93% of the state's construction jobs and only 0.87% of the transportation and utilities jobs.

North County Share of King County, Region and State

Business Description	Share of King	Share of MSA	Share of State
<i>All Industries</i>	5.19%	4.19%	1.99%
Manufacturing	5.30%	3.90%	2.28%
Construction	9.37%	6.66%	2.93%
Retail, except restaurants	5.74%	4.50%	2.05%
Tourism-related	5.40%	4.45%	1.96%
Services, except hotels	4.68%	3.98%	1.94%
Finance/insurance	3.98%	3.30%	1.84%
Wholesale trade	8.95%	7.46%	3.12%
Transportation/communications/utilities	1.95%	1.73%	0.92%
Mining & agriculture	8.62%	5.83%	1.48%

Critical Population Statistics

The population growth rate of North King County has been less than that of King County, the region and the State. Between 1990 and 2000, the North King County population grew by 11.0% compared to 15.2% in the County, 18.8% in the Region and 21.1% statewide. Recent growth within North King County continues to be slower than that seen in other areas.

Population Growth Comparison

Year	North County	King County	Seattle MSA	Washington State
1990	112,395	1,507,312	2,033,149	4,866,692
2000	124,738	1,737,034	2,414,616	5,894,121
2004	125,495	1,784,619	2,510,743	6,182,560
% Chg. '90-'00	11.0%	15.2%	18.8%	21.1%
% Chg. '00-'04	0.6%	2.7%	4.0%	4.9%

North King County under-indexes relative to the region and State for household and housing unit growth. The slower growth can be attributed to natural geographic barriers such as Lake Washington and freeways, the lack of available areas to annex since nearly all of the region is already incorporated, and environmental constraints such as wetlands, rivers and stream buffers, which reduce the supply of potentially buildable land. One implication of slower household growth is that in seeking a stronger economic base, North King County will need to capture additional consumer spending from outside the area.

Household Growth Comparison

Year	North County	King County	Seattle MSA	Washington State
1990	42,537	615,789	809,289	1,872,431
2000	48,487	710,916	963,552	2,271,398
2004	49,204	730,107	1,001,533	2,381,877
% Chg. '90-'00	14.0%	15.4%	19.1%	21.3%
% Chg. '00-'04	1.5%	2.7%	3.9%	4.9%

Average Household Income

Average household incomes in North County are comparable to those in King County and the region but are higher than Washington State averages. As described in the following table, average household incomes have grown steadily in the last 15 years and are projected to keep pace with the region. Factors that affect the household income include education, type of employment and the cost of the local housing stock. Middle to upper middle class demographics point to a capacity to afford discretionary retail items and a full range of services, beyond basic goods and services.

Income Comparison

Year	North County	King County	Seattle MSA	Washington State
1990	\$47,402	\$44,884	\$44,117	\$38,156
2000	\$70,347	\$71,101	\$68,591	\$58,653
2004	\$75,305	\$75,434	\$73,458	\$64,169
2009	\$80,905	\$81,788	\$80,128	\$71,319

Ability of the Region to Compete

North King County employers were asked to rate the competitiveness of the region based on a 0-10 scale with 0 being “not at all competitive” and 10 being “highly competitive.” Average ratings above a 6.0 generally indicate that a large segment of employers are giving high ratings and fewer are giving low ratings. Overall, the data points to the North King County area as being highly competitive in the following (note: the k value is a measure of how similar or homogenous are the ratings across the employers surveyed; a value above 0 indicates more similarity than difference while a negative value indicates segmentation and lack of similarity).

- A desirable place to live (overall average = 7.97)(k = 3.21)
- Quality K-12 schools (average = 7.83)(k = 2.92)
- Variety of local retail, restaurants and services (average = 6.57)(k = .155)
- Convenience of getting to major urban centers like Seattle, Bellevue or Everett (6.47)(k = -.746)

However, employers gave mediocre ratings for the performance of local government staff in promoting business growth and ensuring competitive taxes and policies, averaging only 5.26.

Differences in ratings of affordable housing, variety of local retail, strong local CBD, appeal as a place to visit, ease of getting around within the city, convenience of getting to major urban centers and growth of the local economy are statistically significant; average ratings on other attributes are essentially the same among cities.

Competitiveness of North King County Cities - Community Attributes						
Characteristics	North County	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville
A desirable place to live	7.97	7.96	7.12	8.42	8.13	8.04
Quality of local K-12 schools	7.83	7.65	7.75	8.10	7.82	7.99
Variety of local retail, restaurants and services	6.57	6.86	5.96	5.39	6.74	6.63
Convenience of getting from your city to major urban centers like Seattle, Bellevue or Everett	6.47	6.26	5.67	7.00	7.29	5.85
Appeal of city as a place to visit	6.35	6.32	4.73	6.44	5.88	7.69
Growth of local consumer base	6.20	6.34	5.71	5.85	5.96	6.71
Ease of getting around within city	6.19	6.56	5.67	6.69	7.19	4.60
Growth of local economy and local employment base	5.87	5.61	5.29	5.50	5.87	6.48
A strong local central business district ("CBD")	5.16	5.35	4.24	4.76	4.45	6.46
Affordable commercial real estate	5.01	5.07	4.47	4.74	5.24	4.91
A place to find affordable housing options within King County	4.91	5.44	4.41	5.26	5.43	3.74
Average Community Attributes	6.23	6.31	5.55	6.20	6.36	6.28

The quality K-12 education offered by local schools has helped create a strong base of entry level workers. Moreover, while a minority of employers (19.1%) have used local higher education for worker training, they have very high levels of satisfaction with the results.

Service, Finance and Insurance Sectors

“Location quotients” are measures of industrial specialization that compare the share of total employment within particular industrial categories to the share it represents within the state. This analysis found that Kenmore has 27% more service jobs than the statewide norm and Shoreline has 21% more. Woodinville has far fewer jobs in the service industry but over-indexes in tourism (49% more than the statewide average). Bothell and Lake Forest Park have essentially the same number of service jobs as the statewide average.

The table below describes the number of service employees and the proportion of total jobs within the four areas that are service related. As can be seen, North King County as a whole has essentially the same proportion as the state. The variance, therefore, is not among this economic area and the state but between the five North King County cities, which have very distinct micro-economies and differences in the mix of services.

Industry Share in Services (Except Hotels, Museums & Nonprofits)

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	20,999	448,432	528,004	1,081,483
Industry Mix by Area, County, Region and State	34.43%	38.15%	36.32%	35.30%

Summary Table: Services (Except Hotels, Museums & Nonprofits)

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodin- ville	North County	King County	Seattle MSA	State
Number of businesses	479	201	127	648	390	1,845	32,888	41,067	89,207
Number of employees	7,155	1,988	659	8,007	3,190	20,999	448,432	528,004	1,081,483
Annual revenues	\$749.5	\$164.0	\$69.6	\$660.4	\$324.9	\$1,968	\$43,568	\$43,272	\$100,258
Jobs per business	14.9	9.9	5.2	12.4	8.2	11.4	13.6	12.9	12.1
Revenues per business	\$1.6	\$0.8	\$0.5	\$1.0	\$0.8	\$1.1	\$1.3	\$1.1	\$1.1

**Note: Revenues are in millions*

In the area of finance and insurance, the proportion of jobs in North King County is slightly lower than the statewide proportion. Note, however, that Lake Forest Park has 54% more finance and insurance jobs than the statewide average while Woodinville and Kenmore under-index in this area.

Industry Share in Finance, Insurance and Real Estate

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	3,215	80,784	97,370	174,981
Industry Mix by Area, County, Region and State	5.27%	6.87%	6.70%	5.71%

Services and Finance Continued...

Overall, financial sector businesses in North King County are about 70% of the size of the typical King County establishment, based on average revenues of \$1.5 million versus \$2.1 million per location countywide. Bothell, Shoreline and Woodinville had the highest averages while Lake Forest Park and Kenmore financial establishments were smaller. There were an average of 7.5 workers per firm in North King County, compared to 10.5 in King County.

Summary Table: Finance/Insurance/Real Estate

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	140	40	28	142	77	427	7,687	9,743	29,098
Number of employees	1,307	166	157	1,090	495	3,215	80,784	97,100	174,981
Annual revenues	\$256.7	\$35.7	\$26.5	\$198.2	\$104.4	\$622	\$16,228	\$19,633	\$71,124
Jobs per business	9.3	4.2	5.6	7.7	6.4	7.5	10.5	10.0	6.0
Revenues per business	\$1.8	\$0.9	\$0.9	\$1.4	\$1.4	\$1.5	\$2.1	\$2.0	\$2.4

**Note: Revenues are in millions*

There is a high probability that the “smaller” size of financial services within the North King County region will begin to change as the region develops. The relocation of larger financial services employers in Seattle and the Eastside can be a direct function of proactive economic development efforts. The advantages of locating in North King County include a well-educated employment base, the accessibility to regional cultural and economic centers and amenities in Seattle, lower rents and taxes, and more favorable commercial zoning.

Manufacturing

While manufacturing comprises a relatively small percentage of the total jobs in North King County, its share is typical for the region and state. Manufacturing normally only represents around 10% of all jobs, but these positions tend to be higher-paying than other entry-level jobs in retail or services, and the business activity of manufacturing helps support a wide range of other secondary industries such as wholesale, retail and services.

In the past, North King County was considered a bedroom community to Seattle. However, compared to Washington State and King County, this area actually has a greater share of manufacturing jobs. Generally, suburban communities surrounding major metro cities like Seattle either have no manufacturing or a share that is substantially less than statewide or county levels. The primary benefit North King County cities enjoy is that manufacturing has higher economic multipliers and therefore creates more indirect jobs and spending within the area.

While the North King County area as a whole is “normal” in the amount of manufacturing activity relative to the state, two cities within the region, Woodinville and Bothell, have a very high level of specialization in this area. In terms of their industry mix (percent of all jobs in the industry), these cities have far more manufacturing jobs than would be expected for their size. A total of 18.8% of Woodinville’s jobs and 15.2% of Bothell’s jobs are in manufacturing.

Industry Share In Manufacturing (Except Wineries)

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	6,457	121,877	165,602	283,292
Industry Mix by Area, County, Region and State	10.59%	10.37%	11.39%	9.25%

Summary Table: Manufacturing (Except Wineries)

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	65	18	8	38	122	251	4,033	5,280	11,326
Number of employees	2,945	196	43	249	3,114	6,457	121,877	165,602	283,292
Annual revenues	\$215.5	\$8.5	\$2.8	\$20.9	\$242.9	\$491	\$8,343	\$11,910	\$21,609
Jobs per business	45.3	10.9	5.4	6.6	25.5	25.7	30.2	31.4	25.0
Revenues per business	\$3.3	\$0.5	\$0.4	\$0.6	\$2.0	\$2.0	\$2.1	\$2.3	\$1.9

**Note: Revenues are in millions*

The two sub-sectors of manufacturing that have the greatest levels of concentration or specialization are both technology-oriented:

- *Chemicals and allied products (543% greater than the norm)*
- *Measuring instruments (506% greater than the norm)*

Each of these two areas of manufacturing have more than five times the “normal” concentration of jobs than would be expected for an economic region the size of North King County. This means that manufacturing is an area of convergence, drawing employees on a regional basis to work in North King County cities, and adding to the base of available consumer spending.

Retail And Wholesale

The following are key factors contributing to retail sales within North King County:

- A. *A large local base* of nearly 50,000 households.
- B. *The ability of local specialty retailers and big box stores to successfully capture consumer spending from households outside of North King County*, adding to the local base of spending from residents.
- C. *The ability of local retailers to target the captive base of nearly 61,000 local employees* who may choose to shop at a store on their lunch break or to and from their place of employment.
- D. *Strong household incomes* at or exceeding regional norms, which allow for spending on discretionary and luxury items rather than merely basic household goods and services.
- E. *A favorable age distribution* and household sizes that include many families with children – supporting a wide range of consumer purchases.

In thinking about retail development, there are basically three major types that will work in North King County:

- A. *Community retail*, anchored by the local supermarket or drug store, which is supported by the local resident population. This type of retail will continue to be supported by increases in population, strong household incomes and further income growth within the five cities.
- B. *Specialty retail*, that offers hard-to-find retail goods or a different type of atmosphere or experience, such as Molbak's, Sky Nursery and Country Village in Bothell. Specialty retail can provide a compelling reason to make a special shopping trip to a smaller suburban city rather than to a major mall location.
- C. *Big box retail*, such as Costco or Home Depot. The positive effect of big box development is that it substantially increases the draw area for a local shopping center or retail district – turning it into a competitive destination rather than simply a local choice for convenience shopping.

At 13.4%, the proportion of retail trade jobs within North King County is equivalent to that in the state and is slightly greater than in King County. This indicates that the North King County area, as an economic region, has been able to compete in this area and while there is no major regional mall, within the five cities there are a diverse range of retail stores and shopping options that generally meet local needs and in some cases also meet regional needs and capture spending from out of the area.

Industry Share For Retail Trade (Except Restaurants)

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees, minus restaurants	8,157	142,048	181,234	398,324
Industry Mix by Area, County, Region and State	13.38%	12.08%	12.47%	13.00%

The summary business data also demonstrates how North King County retailers are similar to King County averages in terms of jobs per business (11.3 and 12.4) and revenues per business (\$1.8 million versus \$2.0 million). This further supports the above observation that North King County retailers are generally doing well meeting local, and in some cases, regional needs.

Retail and Wholesale Continued...

Summary Table: Retail (Except Restaurants)

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	194	73	37	240	181	725	11,458	15,139	37,255
Number of employees	1,861	632	337	3,327	2,000	8,157	142,048	181,234	398,594
Annual revenues	\$340.9	\$104.4	\$38.5	\$515.4	\$298.0	\$1,297	\$23,266	\$28,901	\$64,616
Jobs per business	9.6	8.7	9.1	13.9	11.0	11.3	12.4	12.0	10.7
Revenues per business	\$1.8	\$1.4	\$1.0	\$2.1	\$1.6	\$1.8	\$2.0	\$1.9	\$1.7

Lake Forest Park (18.8%) and Shoreline (17.7%) both have a much higher proportion of retail trade jobs than the statewide proportion of 13%. Kenmore's share (14.2%) is slightly higher and Bothell (9.6%) and Woodinville (12.1%) both have slightly lower shares of retail jobs compared to the state.

Retail Specialization

An index of retail specialization was developed, using location quotients. Every North King County city has at least one retail sub-sector that offers a particularly high level of specialization – attracting visits and capturing consumer spending from other cities as well as local residents. As the following table shows, Bothell specializes in home furniture/furnishings/equipment (which includes big box home electronics stores). The index is 2.48, meaning that the number of jobs in this sector is actually 248% greater than normal based on statewide patterns of jobs for this size of city. Woodinville's building materials/hardware store sector is 198% greater than average in concentration. Kenmore, Lake Forest Park and Shoreline each have multiple areas of specialization.

Retail categories that rank lower than average, and point to instances of net leakage (consumer spending being made outside the local area by local residents) include the traditional mall-related category of apparel, with an index of only .45 for North King County. Given the extensive selection of apparel at the Bellevue Square and Alderwood Mall retail clusters, it would be difficult to significantly raise this index. Auto dealers and gas stations were lower than average in all cities except Shoreline, which has a strong dealer presence along Highway 99, both in new and used vehicles. Overall, food stores (including grocery stores) were below average, but this regional index was driven by low rankings in Bothell and Woodinville (in the other three cities there was a heavier than average concentration of food store jobs). General Merchandise, which includes Costco, was strong only in Shoreline, which had an index of 2.35. All other North King County cities rated below average. General Merchandise is another category that directly competes with retail located in major regional mall districts such as in Bellevue and Lynnwood.

Indexes of Retail Specialization (Location Quotients)

Industry Sector	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North King County
Building Materials, Garden Supply and Mobile Homes	1.12	0.95	0.77	1.66	1.98	1.50
General Merchandise Stores	0.03	0.84	0.09	2.35	0.74	1.00
Food Stores	0.45	1.21	3.52	1.36	0.49	0.88
Automobile Dealers and Gas Service Stations	0.43	0.84	0.19	1.20	0.54	0.72
Apparel and Accessory Stores	0.38	0.42	0.00	0.14	0.93	0.45
Home Furniture, Furnishings and Equipment	2.48	1.45	0.41	1.01	1.04	1.50
Eating and Drinking Places	0.86	1.42	1.44	1.18	1.07	1.08
Miscellaneous Retail	0.72	1.40	2.44	1.10	1.08	1.03

Retail and Wholesale Continued...

Wholesale Sector

North King County has a level of specialization in the area of wholesale trade. The area over-indexes the state in the proportion of total jobs within this area. This activity is heavily concentrated in Bothell (9.4% of all jobs) and Woodinville (11.0% of total jobs), indicating these two cities have warehouse districts within their commercially zoned business areas.

Industry Share For Wholesale Trade

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	5,182	57,890	69,437	166,315
Industry Mix by Area, County, Region and State	8.50%	4.92%	4.78%	5.43%

Wholesale operations include importing and exporting, lumber and building material supply that is not classified as “retail” because it is only available to the business customer, wine distributors, auto parts suppliers and auto wrecking yards.

Examples of major wholesalers within North King County include ADT Security, Brooks Sports, Matsushita Avionics and Radar Inc. (all in Bothell) and Advanced Fire Protection, Boise Cascade, Container Home Supply, Fitz Auto Parts and International Wine & Spirits (all in Woodinville). Each of these employers has at least 50 employees at their North King County facility.

North King County actually has larger wholesale companies, on average, than in King County, as can be seen in the summary table on the following page. The average North King County wholesaler made \$2.9 million in sales, compared to \$2.4 million for King County and \$2.5 million statewide.

Summary Table: Wholesale Trade

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	71	30	15	64	111	291	4,354	5,387	11,786
Number of employees	1,821	219	56	1,265	1,821	5,182	57,890	69,437	166,315
Annual revenues	\$278.5	\$41.6	\$10.4	\$200.8	\$307.0	\$838	\$10,243	\$12,236	\$29,779
Jobs per business	25.6	7.3	3.7	19.8	16.4	17.8	13.3	12.9	14.1
Revenues per business	\$3.9	\$1.4	\$0.7	\$3.1	\$2.8	\$2.9	\$2.4	\$2.3	\$2.5

**Note: Revenues are in millions*

Wholesale managers indicated the following were major challenges they faced in operating their businesses in North King County: (Quotes provided below)

- A tax issue. In Woodinville, businesses are leaving town because the rent is too high and they are moving north to places like Everett where the rent is lower. My sales to businesses have declined.
- Cost of doing business, taxes i.e. L & I, B&O and the whole works.
- Unable to compete with international competitors.

Construction

Construction is another important industry category in North King County, offering relatively high wage jobs and business activity that supports other industries such as wholesale and retail (i.e. tools and building materials). The North King County region as a whole clearly over-indexes construction jobs: North King County has 47% more construction jobs than the statewide norm (147% of the state). The proportion of total jobs dedicated to construction in Woodinville in 149% of the statewide norm. It is 67% higher in Kenmore and 88% higher in Lake Forest Park.

Industry Share for Construction

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	4,605	49,145	69,110	157,204
Industry Mix by Area, County, Region and State	7.55%	4.18%	4.75%	5.13%

The average North King County construction firm makes \$1.5 million, only slightly below King County's average of \$1.7 million. A total of 513 construction businesses operate in one of the five North King County cities, equivalent to 9.7% of King County's establishments.

Summary Table: Construction

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	120	59	35	151	148	513	5,314	7,984	9,816
Number of employees	1,086	381	173	845	2,120	4,605	49,145	69,110	157,204
Annual revenues	\$179.1	\$69.4	\$31.4	\$147.6	\$344.4	\$771.9	\$9,083	\$12,705	\$29,046
Jobs per business	9.1	6.5	4.9	5.6	14.3	9.0	9.2	8.7	16.0
Revenues per business	\$1.5	\$1.2	\$0.9	\$1.0	\$2.3	\$1.5	\$1.7	\$1.6	\$3.0

**Note: Revenues are in millions*

Within the construction industry, the economic activity was heavily concentrated in the special trades, rather than among the general contractors. Overall, North King County has 182% of the statewide normal amount of jobs in special trades, while it has only 102% for jobs within general building contractors and 110% for jobs working within general heavy construction contractors.

Economic development is a multi-pronged effort to launch a region toward planning for and creating a livable and sustainable community. Construction employers are sending a universal message to elected officials and the five city's staffs in the North King County Area. To do their job well they need to have fewer restrictions and they need local officials to streamline the development process and keep it affordable.

Infrastructure And Public Sector

North King County has a lower proportion of public sector and infrastructure related jobs when compared with the state. However, due to the large share of government workers in Olympia, the county and MSA level is really more appropriate for comparisons. North King County is quite close to the overall King County share of public sector jobs, at 3.62% versus 3.78%.

The infrastructure-related industries of transportation, communications and utilities, on the other hand, are clearly not well-represented as a group compared to King County levels (2.43% versus 6.46% of total jobs). This means that local businesses often need to rely on transportation services and utilities that are based outside of the area, which may have negative effects on responsiveness, quality and accessibility.

Industry Share for Public Sector

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	2,208	44,484	69,652	207,574
Industry Mix by Area, County, Region and State	3.62%	3.78%	4.79%	6.78%

Industry Share for Transportation/Communication/Utilities

Business Description	North County	King County	Seattle MSA	Statewide
Number of Employees	1,483	75,956	85,903	160,746
Industry Mix by Area, County, Region and State	2.43%	6.46%	5.91%	5.25%

Government-related employers in North King County are slightly smaller in jobs per establishment than in King County, but larger than the statewide average. However, within the transportation/communications/utilities industry group, North King County businesses were around one-half the size in terms of jobs per employer and revenues per business.

Summary Table: Public Sector

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of employers	29	6	4	29	9	77	1,425	1,928	9,011
Number of employees	764	167	44	1,154	79	2,208	44,484	69,652	207,574
Jobs per employer	26.3	27.8	11.0	39.8	8.8	28.7	31.2	36.1	23.0

Summary Table: Transportation/Communication/Utilities

	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville	North County	King County	Seattle MSA	State
Number of businesses	26	15	9	39	24	113	2,768	3,474	9,128
Number of employees	523	152	60	429	319	1,483	75,956	85,903	160,746
Annual revenues	\$106.5	\$13.6	\$12.7	\$33.4	\$27.1	\$193	\$8,545	\$9,591	\$17,082
Jobs per business	20.1	10.1	6.7	11.0	13.3	13.1	27.4	24.7	17.6
Revenues per business	\$4.1	\$0.9	\$1.4	\$0.9	\$1.1	\$1.7	\$3.1	\$2.8	\$1.9

**Note: Revenues are in millions*

Infrastructure/Public Sector Continued...

A closer look at the individual components of the transportation/communications/utilities industry group reveals that North King County still has some areas of specialization. The following table profiles the sub-sectors in which at least one city has an area of concentration or specialization (an index of 1.2 means there are 20% more jobs than normal given the size of the total economy).

As one of the largest seaplane based airlines in the country, Kenmore Air is a particularly competitive regional business, which explains Kenmore's high index of 2.15 for air transportation. Having local air transport immediately available within the North King County area can be a significant strategic advantage for employers who need to transport workers or special business guests quickly across the Puget Sound and between Seattle, the greater Bellingham/San Juan Island area and Vancouver B.C.

Indexes of Specialization (Location Quotients)

Industry Sub-Sector within Transportation/Communications/ Utilities	Bothell	Kenmore	Lake Forest Park	Shoreline	Woodinville
Local, Suburban and Interurban Transportation	0.00	0.00	0.00	1.26	0.91
U.S. Postal Service	0.25	0.25	0.42	2.08	1.26
Transportation by Air	0.27	2.15	0.00	0.01	0.20
Transportation Services	0.33	0.62	4.06	0.50	0.36
Electric, Gas and Sanitary Services	1.82	1.04	1.48	0.18	0.10

The Theory of Economic Convergence-Divergence

Economic development is most commonly defined as the creation of jobs and wealth and the improvement of life. The process can also be described as one that drives the growth and restructuring of an economy in a manner that enhances the well-being of a community.

The process of economic development begins when a community readies itself to accommodate the retention, startup, location or expansion of an enterprise. Economic development occurs when a local economy is vitalized by the creation of one or more jobs, an increase in community wealth, or the useful distribution of capital from outside sources.

The cities of Bothell, Shoreline, Woodinville, Kenmore and Lake Forest Park have combined their economic resources for the purpose of designing and implementing an economic development program that will enhance the economic status of all the participating cities. The combining of economic resources for the purpose of economic growth and development rests on the theory of economic convergence/divergence. Convergent economic systems are those which work together in ways that add value and mutually support each other. The convergence, or pooling, of these resources stimulates the generation of new business development, job creation and area wealth. Divergent economic systems function independently without the benefit of pooled resources. Consequently divergent systems tend to grow at a slower pace and do not enjoy the range or quality of benefits enjoyed by convergent systems.

Economic convergence-divergence is a mathematical model that helps provide a context for interpreting and applying the findings in the North King County economic study.

Convergence-Divergence Equation

$$\sum_{k=0}^{\infty} a_k x^k = a_0 + a_1 x^1 + a_2 x^2 + \dots$$

The Metaphor of the Cherry Tree

A cherry tree and orchard provides a good illustration of this economic concept for North King County. Each tree represents one of the North King County cities. The center of the tree represents the focal point of greatest concentration within the city (normally a point within the commercially zoned business district in the center of town, with the exact location based on where the major dominant industry is for that city), and a city can have more than one focal point depending on its industry mix and how the development is clustered. A city can have one point or more than one point, just as in nature where the center of a tree can have a single base but then divide into two major trunks at higher elevations, each one supporting a different set of branches. An example of two points might be a city that has a strong retail sector clustered in the center of the CBD area, and then a large manufacturing cluster south of the CBD, which also acts as a major focal point and requires a lot of support services and infrastructure, which radiate out from that second focal point.

The branches of the tree represent the various industries within the city. Each industry contributes to the health of the entire city through attracting visitors, customers, economic

activity and tax revenues to the city just as a branch supports the leaves, which take in sunlight and help support the entire tree. When the connections between the tree and branches are healthy and solid, the industries are connected to, and interested in, the overall health of the city. When there are branches lying on the ground or the connection is not solid to the tree there may be situations where industries or individual companies are not clustered effectively or are not fully supported so they can be successful and support the city. Also, the closer one moves to the trunk of the tree, the thicker the branches become, akin to the greater levels of synergy achieved when economic activity concentrates or clusters in one place.

Just as in nature there are different varieties of cherry trees, there are different types of cities within the North King County economic region, each bringing to the table a unique mix of assets, industries, constraints and opportunities. Consider that the five cities together represent an orchard of cherry trees, even though they are not identical in the type of tree. The orchard itself is in competition with other orchards for resources. The North King County area, as a single economic region, must compete with other regional economies in King, Snohomish and Pierce Counties, to attract funding for public sector infrastructure, grant money, customers and new businesses.

Convergence and Divergence At the Local Level

In the case of a single city, a high degree of convergence refers to a situation where the various components of a local economic system within the city limits are working together in such a way as to add value and act mutually supportive both in terms of geographic proximity and in the way in which the system is clustered or concentrated around a central focal point. For example, a downtown CBD or a key industry such as software, manufacturing or tourism that helps to drive other secondary industries and provides a clearly defined theme or identity for the area. Or there may be two central points, mutually reinforcing, such as a successful retail base and a strong wholesale sector. It is important for these central points to be understood by local civic and business leaders in order to guide long-term planning so that a successful and competitive economy can be built and maintained. In a competitive economy, cities themselves must compete for customers, sales, visitors, jobs, and tax base against other cities that are also making efforts to improve their performance and standing within the region. This takes strong leadership and vision, and cannot be accomplished in the absence of private sector input and participation.

The focal point becomes a driver that maintains the energy of the entire system, bringing in tax revenues, sales, new visitors and shoppers, new residents, etc. Of course, every city has a planning department that is tasked with trying to manage development so that essential city services and infrastructure continue to be available at an affordable price, roads maintained to handle traffic flows, sidewalks are available where needed, etc. This typically results in the attempt to cluster major commercial development and retail around a central business district (i.e., “CBD”) in the center of town, with secondary suburban development surrounding this denser core business area. However, government cannot force or require convergence – they can only help create conditions within which convergence is likely to occur over time. There are plenty of decaying and largely forgotten central business districts in small towns, where development and markets simply went elsewhere, despite the good intentions of city planners. There are also examples of fragmented, random and haphazard development, where one glance around town will tell you there is no single theme or central point of focus for the city that is effective in driving energy and activity.

Regional Convergence

In a regional economy there is more “convergence” than “divergence” when the sum total of business activity, consumer spending and revenues for the cities or communities included exceeds the value of how each individual city would perform operating in isolation. In other words, when a regional economy is said to have more “convergence” than “divergence” it has already developed in a manner where the cities and industries are able to complement and support one another, creating greater efficiencies for the region.

Economic regions that have discovered the secret of convergence tend to work well together in planning broad economic development strategies that will help advance the entire region rather than only one city or an isolated industry. Just like in the example of the city, to promote and work towards convergence, an economic region needs to have one or two major focal points from which to define and market itself in competition with other economic regions. This requires research, collaboration and joint decision making among leaders and stakeholders from each community, who are committed to regional economic development that will eventually benefit every city by helping the entire area to succeed as opposed to merely their own local town or city. Otherwise, an economic region is nothing more than a collection of various cities that happen to be located next to one another, each operating independently in competition with each other (generally supporting a situation of “economic divergence”).

Examples of Regional Convergence: Seattle, Eastside and South King County

The three economic “regions” in King County that have achieved a situation of greater economic convergence than divergence through joint economic development in recent years and decades include Seattle, the Eastside and South King County. Seattle’s economy is oriented around it’s revitalized downtown CBD, major corporate headquarters and government facilities. The Eastside specializes in retail and high-tech computer-related services. The South King County area has developed into one of the largest manufacturing/distribution corridors on the West Coast.

Conclusions

1. North King County has not yet emerged as an economic community, as has the Eastside, South King County and City of Seattle. This North King County economic development effort clearly provides the economic research findings to help develop a viable local economic community among the five cities of Bothell, Kenmore, Lake Forest Park, Shoreline and Woodinville.
2. The vision, leadership and implementation of this will result in the emergence of an economic area that has the potential of becoming as prominent as the larger established communities of the Eastside, South King County and Seattle. North King County can be viewed as being in a state of transition from a general suburban area to one that has its own distinct economic composition.
3. The economic theory of convergence and divergence will be critical to understand and apply in the economic development of this area. Basically, regional development will come out of the convergence of the 5 cities that comprise the area, their major employment centers, community retail and big box stores. This convergence has the potential of drawing additional retail sales beyond North King County as well as even more effectively capturing local spending. Convergence around the major employment centers such as the larger manufacturing firms will entail drawing from an employment base not only within North King County but throughout the surrounding cities of King and Snohomish Counties. While the employment and retail sales are being more tightly clustered and pooled within the North King County communities, a divergence effect will also be taking place in the stream of goods and services that will be increasingly exported to other regions in all directions, to points in Washington State, out-of-state and even internationally.
4. At this point the business community is largely represented by small employers, however these employers have considerable expectations for growth in sales and jobs in the near-term. What is most important to note is that the leadership within the employment centers live within the North King County area. Hebert Research has proven in its other studies that as the CEOs, leaders and corporate directors go, so go their organizations. Company headquarters have been known to shift to areas more convenient to the places of residence of the management.
5. The quality and future priorities of K-12 and higher education are essential to providing the employment base within the region. There is an orthogonal relationship between investment in quality education and the ability of an economic region to compete for a highly skilled workforce. The strategic alignment with educational institutions and high-tech/bio-tech employers is absolutely essential.
6. The North King County economic region has already demonstrated its ability to compete, which was clearly illustrated in the survey findings. The key will be to maintain these competitive variables and build on the existing strengths while improving in weaker areas. The top rated areas of competitiveness include 1) a desirable place to live, 2) quality K-12 schools, 3) variety of local retail, restaurants and services, and 4) convenience of getting to major urban

centers like Seattle, Bellevue or Everett. In each of these factors North King County was ranked very high in comparison to other areas.

7. Based on the research and analysis that was conducted, the research team arrived at the following conclusions about the five industry categories examined in this report:

Services Sector

As the largest industry, services is expected to continue its growth driven by national trends that show conspicuous consumption being replaced by the priorities of time, expertise and special knowledge that are the fundamental variables of this sector.

Finance/Insurance/Real Estate

Further growth within the financial-related industries will require a skilled local workforce that North King County already provides. Increasingly, the finance and insurance sectors have been attracted to communities that have this employment base. This is clearly an inherent strength of North King County, which bodes well for meeting the needs of financial businesses as they keep pace with the growth of the local economy.

Manufacturing

There have been a lot of economic “prophets” that have stated the location of manufacturing is all about finding the lowest labor costs possible. These economic cost-driven models have not been sustainable over the long-term in the greater Seattle area. What has worked well is attracting and retaining manufacturers that are increasingly developing innovative new technologies and products requiring skilled labor, capital investment and the application of cutting-edge technology. These types of employers are able to command higher prices for products from their positions of leadership and innovation within their respective industries, often protected initially by patents and trademarks for their new inventions and processes. Specifically, North King County has demonstrated its ability to compete in the biotech and high-tech manufacturing sectors. Amgen and Icos are good examples of these corporate leaders.

Retail-Wholesale

Mall shopping has been declining on a national basis in recent years. One of the emerging trends in retail is in the area of greater efficiencies within the large retail “box store” concepts, which do not have to be sited in a regional mall and offer a major draw area as a regional destination for shoppers. The Costco warehouse concept and Home Depot are examples in the general merchandise and home improvement categories. The major highway transportation corridors of I-5, I-405, Highway 99 and 522 are essential for the attraction of these 21st Century venues.

“Community retail” is also important for North King County, which operates largely on the basis of selection and convenience for local shoppers, helping to capture local spending that might otherwise leave the area for larger mall shopping choices. Community retail clusters are expected to have increased growth in the future, particularly from the higher household incomes and growing local employment base that is actually larger than the number of households.

Construction

Construction is an important industry in North King County, offering relatively high wage jobs and business activity that supports other industries such as wholesale and retail (i.e. tools and building materials). North King County construction firms actually over-index the region in their business activity. This points to the presence of a number of independent specialty contractors who recognize the growing construction and homeowner repair market that is driven by the segment of middle to upper-middle class North King County homeowners living in older homes.

Transportation/Utilities/Public Sector

Lack of transportation accessibility and traffic congestion are problems throughout the Puget Sound area. Fortunately, North King County has a competitive advantage among the congested King County cities with its available public transportation system. Furthermore, it has a diversity of major transportation corridors including I-5, I-405 and Highways 99 and 522. There is no question that the existing transportation corridors need to be expanded to support a sustainable long-term economic development process. Furthermore, by expanding these corridors, this will reduce the impacts on secondary roads and arterials, which increases retail demand by optimizing the capacity of the transportation system to move more shoppers per hour and avoid delays in travel. Transportation is of course only one of the major areas of infrastructure. Significant public sector funding will be required in the future to expand the current North King County infrastructure including roads and highways, public utilities as well as educational facilities and resources. North King County will need to begin to work together to advance their common interests and goals for funding sources to help make these investments happen.

8. In creating economic development strategies, emphasis should be placed on preserving the unique character and existing assets of each North King County city. This includes appreciating the input and needs of the existing employers. In the verbatim comments and the moderate ratings for local government efforts recorded in the survey, it was apparent that local employers often do not feel their perspectives and needs are adequately understood by planners and civic leaders. While there needs to be discussion about how to attract new businesses to the area, economic development needs to ensure that the existing employers are provided with the accessibility, infrastructure, parking, visibility and regulatory environment they need to successfully compete in the region. To create the most livable and sustainable communities, new retail and service establishments should be targeted with the goal of complementing the current mix within each city and helping the entire retail sector to be more competitive.